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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 19, 2002

IN THE MATTER OF

SHANNON FOREST WATER
CORPORATION

CASE NO. PUE010588

Appointment of a Receiver

ORDER FOR CONTINUANCE

Before the Commission is the customers' petition for appointment of a receiver for Shannon Forest Water Corporation ("Shannon Forest" or the "Company"). In our Initial Order of November 16, 2001, in this proceeding, the Commission tentatively found that Shannon Forest fell under the Small Water or Sewer Public Utility Act, Chapter 10.2:1 (§56-265.13:1 et seq.) of Title 56 of the Code of Virginia (Small Water Act). We also tentatively found that two-thirds of Shannon Forest's affected customers had signed the petition for appointment of a receiver pursuant to the Small Water Act, §56-265.13:6.1 A of the Code. Our Initial Order of November 16, 2001, also authorized the filing of notices of intent to participate as a respondent. On January 8, 2002, the Virginia Department of Health filed notice.

On February 8, 2002, Shannon Forest filed its Answer to the Petition ("Answer"). According to the Answer, at 1, the Company

denies the allegation in the customers' petition that it is unwilling or unable to provide adequate service. Shannon Forest is, according to the Answer, at 1, insolvent, and it has filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code. The Company will attempt to operate its system until a suitable entity purchases the facility. A copy of Shannon Forest's petition filed with the United States Bankruptcy Court, Western District of Virginia, Roanoke Division and related documents are attached to the Answer.

As noted, the Commission has concluded that it has jurisdiction in this matter under the Small Water Act, and Shannon Forest does not contest our finding in its Answer. The filing of the petition for bankruptcy, however, provides Shannon Forest certain protection from proceedings under state law. The protection offered by federal law may limit the timing and scope of any action the Commission may take.

Upon consideration of the Answer, the Commission finds that this matter should be continued. We shall direct the Commission Staff to monitor the bankruptcy proceeding and to maintain contact with the Department of Health, Shannon Forest, and affected customers. If it appears that the Commission may proceed in this matter in conformity with federal and state law, the Staff or a party to this proceeding may move for entry of an order directing further proceedings. We shall also direct the

Staff to mail copies of this order to the customers who signed the petition, to the extent practicable.

The Commission's decision to continue this case dealing with appointment of a receiver in light of the bankruptcy petition should not be interpreted as a surrender or waiver of our jurisdiction over Shannon Forest. The protection afforded by federal law does not foreclose all Commission action. Likewise, our decision to continue this case does not bar the Virginia Department of Health or any other state or local agency from taking any action permissible under state or federal law.

Accordingly, IT IS ORDERED THAT:

- (1) This matter be continued.
- (2) The Commission Staff shall monitor the bankruptcy proceeding and maintain contact with the parties in this proceeding.
- (3) The Commission Staff shall mail a copy of this order to all persons signing the petition, where practicable.